

Introduction

Scholars and policymakers have long searched for the right combination of policy instruments to tackle the dilemmas of their time. Yet, in the twenty-first century, their quest is arguably more difficult than at any period in the past. Their efforts are complicated by a rapidly changing post-cold war environment, which influences both the challenges faced by the United States and the ways in which every foreign policy tool functions. This book is a piece of this constantly morphing puzzle. It examines an age-old tool, sanctions, to deal with one of the greatest challenges of the post-September 11 environment: states that support terrorism and pursue weapons of mass destruction. Those who expect that this book will either unconditionally applaud or disparage sanctions will be disappointed. Rather than seeking to strengthen either the pro- or anti-sanctions camp, this book highlights how economic tools should and should not be used in a world characterized by the post-cold war markers of globalization and American preeminence.

Economic Statecraft in American Foreign Policy

The implications of post-cold war economic and political changes for U.S. foreign policy are unfolding every day. We now recognize that globalization—the rapid movement of ideas, people, resources, and goods across

boundaries and barriers—has the potential to transform the political landscape as much as the economic environment. It has brought prosperity to many corners of the world and spurred the integration of states and regions. But at the same time, globalization has created new vulnerabilities, particularly for societies as open as that of the United States. In the search for security, globalization is proving to be a cocktail of venom as well as of vitamins.

American preeminence has also brought its own complications. Unrivaled U.S. influence in the military, economic, political, technological, and cultural realms has opened new possibilities for shaping the international environment.¹ Yet it has not freed the United States from making strategic choices or absolved it of the need to take into account the preferences of its allies and friends, particularly when addressing the transnational challenges that are part and parcel of globalization. The September 11, 2001, terrorist attacks and the responses to them—ranging from military action to the tightening of restrictions on global financial flows—were a dramatic demonstration of how post-cold war economic and political changes have shaped the threats facing the United States and its ability to address them.

Although policymakers need to understand how globalization and American preeminence affect all military, diplomatic, informational, and economic types of statecraft, this book focuses most intensely on economic tools.² Such instruments will play an important role in the more “activist” U.S. foreign policy agenda that is the result of both a greater perception of threat and a grander sense of U.S. capabilities in the post-September 11 era. Although military force will be a key component in addressing many foreign policy challenges, economic tools will be a frequent accompaniment, in part because their use will be seen as a precondition for securing the support or acquiescence of other countries for U.S. military missions. Economic tools also will be a substitute for military action when the use of force is not appropriate or feasible, either because of the nature of the objectives or simply because the United States cannot undertake an unlimited number of military endeavors simultaneously. Similarly, economic instruments will be both a complement to and a substitute for diplomatic undertakings in protecting and promoting U.S. interests worldwide.

Both positive and negative forms of economic statecraft will be needed to address new foreign policy challenges and maintain other priorities abroad. The centrality and versatility of positive economic tools (better known as inducements or incentives) in advancing U.S. foreign policy interests is demonstrated by their role in one narrow, if important, realm—that of combating terrorism. In the wake of September 11, inducements helped

entice countries to join U.S. counterterrorism efforts, both in a broad sense and in the concrete mission of destroying Osama bin Laden's network in Taliban-controlled Afghanistan. Incentives were of particular importance in cases—such as Pakistan—where governments risked political backlash or economic losses because of their cooperation with Washington.³

Positive economic tools will be equally important in America's more activist foreign policy quite apart from their role in immediate counterterrorism efforts. They will be used with greater enthusiasm to bring stability to weak and failing states and to find solutions to transnational problems such as the spread of AIDS and other diseases. The United States and other countries also will increase their efforts to use foreign aid and technological transfers to promote equitable development and institution building in some countries, particularly now that poor socioeconomic conditions are seen not just as being of humanitarian concern but also as having security implications that extend beyond a single country's borders. Incentives may also be called upon to serve purposes such as solidifying agreements intended to halt the pursuit of national nuclear programs, as was attempted with North Korea in the 1990s.⁴

Negative economic tools also will be a crucial component of America's more activist foreign policy agenda. They will continue to play a key role in combating terrorism. Financial measures aimed at tracking and freezing the funds of terrorist organizations and individuals related to them are already used to handicap nefarious operations. Coercive economic measures will remain essential in pressuring and isolating countries that continue to lend support to terrorist groups or provide them safe haven in defiance of U.S. demands. Countries that resist cooperating with the United States on other levels—such as in the sharing of information pertaining to terrorism—may also find themselves subject to economic pressure.⁵ Outside the counterterrorism agenda, sanctions will maintain their centrality in U.S. efforts to combat the proliferation of weapons of mass destruction, setbacks in democratization, and acts of aggression. They will also be necessary to address the burgeoning agenda of transnational issues, including international crime, trafficking in women and children, and the narcotics trade.

The focus of this book on sanctions opens the door to examining both positive and negative economic tools. Just as the imposition of sanctions is a penalty, their lifting or the prospect of it is—or should be—a real incentive.

Sanctions are a much explored, but still poorly understood, foreign policy instrument. Despite the existing wealth of studies on economic sanctions, the literature, in the words of one scholar, "is among the most contentious

and inconclusive in international relations.”⁶ As discussed in detail in chapter 2, little agreement exists on even the most basic questions surrounding the use of these tools. Much of the existing scholarship is not directed toward policymakers; it is more concerned with how various methodologies and assumptions influence overall assessments of whether sanctions “work.” Other studies have made important policy-relevant contributions, but our understanding of how economic sanctions are best employed is still incomplete.⁷ For instance, one of the most important conclusions of the sanctions literature to date is the now widely accepted finding that sanctions are most likely to work when they are multilateral. Highlighting this reality to policymakers influenced how many of them think about sanctions and arguably contributed to a more restrained use of unilateral measures. Yet at the same time, this finding left policymakers with a fleet of follow-up questions. Under what circumstances is international cooperation in imposing sanctions most likely to be attained? In the absence of multilateral cooperation, what is the value, if any, of unilateral sanctions?

Sanctions also were deemed to be worthy of further investigation given the sharpening focus of American foreign policy on terrorism and weapons of mass destruction after September 11. Sanctions have played a major role in past U.S. strategies for dealing with both of these global challenges, particularly when the threats have come from states. Policymakers increasingly preoccupied by the need to combat state-sponsored terrorism and the proliferation of weapons of mass destruction are faced with the critical question of whether these issues can be adequately addressed with economic tools.

The conclusions of this study shy away from the simplistic, from the notion that sanctions “work” or “don’t work.” The reality is that the record of sanctions is mixed; as a result, both successes and failures are examined in this book. Of greater interest than whether the value of sanctions can be summed up in a phrase are the insights revealed from careful analysis of past attempts to use sanctions to deny states resources or to coerce them into changing their behavior. As this book demonstrates, the shrewd use of sanctions in these instances depends on many factors, perhaps the most important being whether the structure of the sanctions regime is appropriate to the task at hand. More often than not, the success or failure of sanctions is not a reflection of the inherent value of sanctions in some abstract sense. Instead, it is a consequence of whether the instruments were well crafted to pursue the objectives of the policymaker. A sanctions strategy designed to change a regime should look very different from one aimed at

containment, which in turn should be distinct from a strategy intended to change the behavior of a government. Unfortunately, as revealed in these pages, that has rarely been the case.

A Map to What Lies Ahead

Chapter 2 sets the scene for this book by addressing broad issues surrounding the use of sanctions in the post-cold war world. It examines how economic and political realities—namely globalization and American preeminence—shaped trends in the use of sanctions throughout the first decade after the collapse of the Soviet Union. Chapter 2 also explores the status of the “sanctions debate,” the often animated exchange among policymakers, scholars, and interest groups over the use of economic tools in American foreign policy. In seeking to identify the source of tension between the needs of policymakers and the work of scholars, the chapter examines the various research and political agendas behind the seemingly innocuous question “Do sanctions work?” In doing so, the chapter illuminates a number of ways in which the study of sanctions could be refined to be of greater relevance to policymakers and identifies areas concerning the use of economic tools that deserve further attention. Chapter 2 also offers a multipart methodology to assess sanctions regimes and provides a framework for exploring outstanding questions about the use of sanctions, particularly in the cases that follow.

The next section of the book includes case studies of sanctions-dominated strategies toward Iran, Iraq, Libya, and Sudan. These cases were selected as having the greatest relevance for future efforts to address the nexus of terrorism and weapons of mass destruction. Each of these countries has been officially designated a “state sponsor of terrorism” and placed on the U.S. government’s annual terrorism list.⁸ Each, to varying degrees, is a suspected proliferator. And each continues in its own right to pose foreign policy concerns and problems for the United States. Collectively, as the four hardest cases in the extended geographic area of North Africa, the Middle East, and the Gulf, they are the ones most likely to shed light on the ability of sanctions to address such fundamental U.S. concerns.

The decision to examine sanctions regimes imposed largely on states rather than on entities within them or transcending them is a deliberate one. Neither terrorism nor weapons of mass destruction nor any of the other problematic behaviors targeted by sanctions can be fully or adequately addressed by limiting U.S. strategies to the state-to-state level. But

such policies remain at the core of U.S. efforts. Transnational terrorist networks such as al-Qaida are reliant on sympathetic states to provide them with the support—be it in the form of finances, material or logistical help, or safe haven—necessary to sustain their operations.⁹ Similarly, although it is legitimate to worry about the use of weapons of mass destruction by nonstate actors, states are still by far the most likely source of these weapons for such groups.

Not only is this focus on states critical to today's foreign policy agenda, it also provides a fertile ground for solid scholarship and sound prescriptions. In contrast to those analyzing the fledgling, if promising, transnational efforts to block the assets of groups and individuals worldwide, researchers interested in deriving recommendations for dealing with states through economic coercion have decades of experience on which to draw. The United States has long employed sanctions as the main tool for dealing with Iran, Iraq, Libya, and Sudan. In each case, a complex web of sanctions evolved, as both the number and type of sanctions associated with being on the terrorism list expanded and the United States imposed additional restrictions on the country for other egregious behaviors.¹⁰ As a result, the measures in place against Iran, Iraq, Libya, and Sudan are the most comprehensive sanctions regimes that the United States maintains; the economic and, to a lesser extent, political isolation of these countries from the United States is nearly complete.¹¹ These sanctions regimes therefore provide the best opportunities for investigating many aspects of the use of coercive economic pressure, be it the links between impact and effectiveness, the interaction between sanctions and domestic politics in the target country, or the wrangling over sanctions policy that often occurs in the U.S. domestic realm.

Together, the four cases also provide important contrasts. Each involves a different level of multilateral cooperation, from the most minor to the most comprehensive. In addition to having strict U.S. sanctions imposed on them, Iraq, Libya, and Sudan all endured UN measures of varying intensity; Iran, while never the object of UN sanctions, has been subject to some multilateral restrictions in addition to comprehensive U.S. ones. Collectively, these cases demonstrate how the United States has used sanctions to pursue the full panoply of policy objectives—from regime change to containment to altering relatively small elements of a target country's behavior. Each case also reveals the complexities that arise from pursuing multiple and occasionally competing goals that shift over time; in none of the four cases were terrorism and weapons of mass destruction the only U.S. concerns.

Iran is a country with which the United States has had poor relations since the 1979 revolution unseated the shah and ushered in an Islamic republic. At the top of U.S. concerns in regard to Iran has been its active support for terrorism, particularly the assistance it provides to Palestinian and other groups that use violence to oppose the existence of Israel. Iran's pursuit of weapons of mass destruction and harsh rhetoric against America and Israel also have been sources of anxiety to the United States. Although Washington has failed to gain substantial multilateral support for its efforts to isolate and pressure Tehran with sanctions, the United States has enforced its own nearly comprehensive sanctions regime. This stringent strategy has been largely popular with domestic U.S. constituencies; however, at the end of the last millennium, it was under increasing fire from those who argued for a less confrontational U.S. approach toward Tehran on account of Iranian domestic political changes and the country's status as an important regional power and energy exporter. The U.S. campaign against terrorism energized the debate surrounding U.S. relations with Iran, with some pushing for an even more aggressive approach toward the country and others maintaining that a new convergence of interests could lead to rapprochement between Tehran and Washington. The inclusion of Iran in this study is critical for what it reveals about both the value of unilateral sanctions and the challenges of imposing them on a country experiencing great internal political change.

Iraq has been subject to one of the most extensive sanctions regimes in history. Since sanctions were imposed on Iraq immediately after its 1990 invasion of Kuwait, the country has chafed under multilateral UN sanctions blocking or regulating most of its economic interactions with the outside world. These sanctions were complemented by weapons inspections, military strikes, humanitarian schemes, and U.S. efforts to delegitimize the regime of Saddam Hussein. Although UN resolutions specified that sanctions would remain in place until Iraq cooperated fully with international weapons inspectors, concerns over Iraqi behavior have gone far beyond its pursuit of weapons of mass destruction. The United States and many countries in the region also have worried about Iraq's history of aggression within and outside of its borders, its support for terrorism, and its vehement opposition to Israel. The U.S. domestic debate over Iraq, unlike that over Iran, has been dominated by those supporting a variant of the sanctions-dominated approach and those advocating a more aggressive military strategy against Saddam Hussein. Yet at the international level, growing opposition to sanctions—generated in part by humanitarian concerns and by

impatient commercial interests—forced a partial reassessment of the sanctions approach. Examining the Iraqi case is an essential component of any sanctions study, not only because of its uniqueness but because of what more than a decade of multilateral sanctions reveals about the tensions that arise between maintaining economic pressure on a recalcitrant regime and sustaining international consensus for such efforts.

Libya—and the threat that it poses to international security—changed over the last two decades of the twentieth century. During the Reagan administration, the United States viewed Libya's active support for terrorism, its meddling in the affairs of its neighbors, and its opposition to Israel as fundamental challenges to U.S. interests in the region. Although many countries shared U.S. concerns about the radical ways of Libyan leader Muammar Qadhafi, the United States pursued its policies of economic and military coercion against Libya largely on its own throughout the 1980s. Libyan involvement in the bombing of Pan Am 103 in 1988 and a UTA airliner in 1989 ended international apathy toward Tripoli and paved the way for seven years of multilateral sanctions against Libya. Libya's eventual compliance with key UN demands—specifically the surrender of the Pan Am 103 suspects—launched an international debate over the extent of Libya's rehabilitation and the proper pace of the reintegration of Libya into the global economic and political community. Libya's inclusion in this study is critical because this sanctions episode is widely viewed—rightly or wrongly—as the most successful instance of economic penalties moving a regime away from support for terrorism and toward the satisfaction of specific counterterrorism goals.

Sudan is a country that has rarely received the undivided attention of policymakers since the collapse of the Soviet Union lessened its strategic importance. The United States has, nevertheless, sought to juggle a wide range of disparate objectives in Sudan, including curbing state support for terrorism, ending a brutal civil war between Khartoum and the largely southern opposition, providing humanitarian aid for famine-stricken areas of the country, satisfying concerns about the development of chemical weapons, and addressing widespread human right abuses. This varied and complex agenda—and a domestic U.S. debate that has lacked a voice arguing for a more conciliatory approach toward Khartoum—led the United States to rely almost exclusively on a strict economic sanctions regime to pursue its goals in Sudan throughout the 1990s. For a time, U.S. measures were accompanied by UN diplomatic sanctions on Khartoum for its

involvement in an assassination attempt on Egyptian president Hosni Mubarak; yet for the most part, U.S. efforts to use coercion to change the behavior of the Sudanese regime have been unilateral. Sudan warrants investigation in this study as an often overlooked case in which Congress was particularly influential in crafting U.S. policy toward the regime. Moreover, it demands renewed attention given the efforts of Khartoum to assist the United States in its campaign against terrorism. Whether Washington manages to sustain that cooperation without forgoing the pursuit of other goals in Sudan will shape its future relationship with Khartoum and will have implications for other cases where the United States finds itself facing multiple and competing goals in its war against terrorism.

The cases of Cuba, North Korea, and Syria deserve particular mention, because they are the three other countries designated as state sponsors of terrorism by the United States. Yet, for methodological reasons, they are not subject to the same scrutiny in this book as Iran, Iraq, Libya, and Sudan. Although Syria has many of the attributes of these cases, U.S. policy toward Syria has been driven primarily by the perceived role that Damascus must play in any successful Middle East peace process. As a result, not only is the U.S. sanctions regime in place against Syria far less severe than in the cases examined here, but a reasonable assessment of these tools would require an extensive analysis of the Middle East peace process, which is beyond the scope of this book.¹² North Korea, a state sponsor with clear nuclear ambitions, is also outside the purview of this study because past efforts to deal with its nuclear program fall more into the realm of incentives than of sanctions. Cuba is omitted from extensive treatment in this study because there are few major concerns about its pursuit of weapons of mass destruction and because its inclusion on the terrorism list reveals more about the U.S. domestic interplay surrounding Cuba than any objective reality concerning Cuba's foment of terrorism. Despite these considerations and qualifications, the cases of Cuba, North Korea, and Syria do provide additional or complementary insights. For this reason, they—and the past use of sanctions against Afghanistan and the Taliban, Burma, China, Pakistan, and Yugoslavia—are discussed in the conclusion of this study.

The final chapter pulls together lessons dispersed throughout the book. Just as chapter 2 contemplates how globalization and American preeminence shaped pressures to employ sanctions since 1990, the concluding chapter considers how these two factors influenced *how* sanctions worked—and *whether* they worked—when used to advance U.S. strategic interests

over the same period. Synthesizing the findings of cases examined in the book and elsewhere, the conclusion identifies the defining characteristics of a shrewd sanctions approach to state sponsors of terrorism and reveals past impediments to the adoption of such strategies. The final chapter also offers broad guidelines to policymakers wishing to choose more wisely between sanctions and other tools—and between different sorts of sanctions regimes—to ensure a more effective U.S. foreign policy.